

**ISHPEMING CITY SCHOOL DISTRICT  
ISHPEMING, MICHIGAN**

**FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

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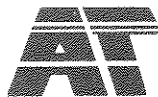
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# ANDERSON, TACKMAN & COMPANY, P.L.C.

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ishpeming City School District as of and for the year ended June 30, 2006, which collectively comprise the Ishpeming City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ishpeming City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ishpeming City School District as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2006, on our consideration of the Ishpeming City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ishpeming City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, and is also not a required part of the basic financial statements of Ishpeming City School District. The combining and individual fund financial statements and schedules listed are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

September 29, 2006

**Ishpeming City School District**  
**Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of Ishpeming City School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 12.

**FINANCIAL HIGHLIGHTS**

- Net assets for Ishpeming City School District as a whole were reported at \$1,640,269. Net assets are comprised of 100% governmental activities.
- During the year, Ishpeming City School District expenses were \$9,601,636, while revenues from all sources totaled \$8,922,110, resulting in a decrease in net assets of \$679,526.
- The general fund reported a net decrease of \$699,039. This is \$493,942 or 41% lower than the forecasted decrease of \$1,192,981. This was a result of revenues being \$278,491 higher than forecasted and expenses and transfers out being \$215,451 lower than forecasted.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ishpeming City School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the Ishpeming City School District's operations in more detail than the district-wide statements by providing information about the Ishpeming City School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Ishpeming City School District acts solely as an agent for the benefit of students and parents.

**Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Ishpeming City School District as a whole begins on page 8. One of the most important questions asked about the Ishpeming City School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Ishpeming City School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## **Management's Discussion and Analysis (Unaudited) (Continued)**

These two statements report the Ishpeming City School District's net assets and changes in them. The Ishpeming City School District's net assets – the difference between assets and liabilities – is one way to measure the Ishpeming City School District's financial health, or financial position. Over time, increases or decreases in the Ishpeming City School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Ishpeming City School District's operating results. However, the Ishpeming City School District's goal is to provide services to our students, not to generate profits as private-sector companies do.

One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the Ishpeming City School District's capital assets, to assess the overall financial health of the Ishpeming City School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Ishpeming City School District, which encompass all the Ishpeming City School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – *Fund Financial Statements***

Our analysis of the Ishpeming City School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the Ishpeming City School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Ishpeming City School District's Board has established other funds to help it control and manage money for particular purposes. The Ishpeming City School District has only governmental funds which use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The Ishpeming City School District is the trustee, or fiduciary, for its student activity funds and auditorium fund. All of the Ishpeming City School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Ishpeming City School District's other financial statements because the Ishpeming City School District cannot use these assets to finance its operations. The Ishpeming City School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## Management's Discussion and Analysis (Unaudited) (Continued)

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2006:

**Table 1**  
**Net Assets**

	Governmental Activities – 2006	Governmental Activities – 2005
Current and other assets	\$4,102,701	\$2,826,306
Capital assets, net	5,071,835	5,220,695
Total Assets	<u>9,174,536</u>	<u>8,047,001</u>
Current liabilities	2,832,401	1,837,936
Long-term liabilities	4,701,866	3,889,270
Total Liabilities	<u>7,534,267</u>	<u>5,727,206</u>
Net Assets:		
Invested in capital assets, net of related debt	398,376	1,501,640
Restricted	1,267,202	198,889
Unrestricted	(25,309)	619,266
Total Net Assets	<u>1,640,269</u>	<u>\$2,319,795</u>

The School District's net assets were \$1,640,269 at June 30, 2006. Capital assets, net of related debt totaling \$5,071,835, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. There is a deficit balance in unrestricted net assets of (\$25,309).

The (\$25,309) deficit in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities – 2006	Governmental Activities – 2005
Revenues:		
Program revenues:		
Charges for services	320,924	\$560,455
Operating grants and contributions	1,565,944	1,418,546
General revenues:		
Property taxes	1,021,317	1,033,401
State sources not restricted to specific program	5,869,602	5,773,899
Investment earnings	52,055	24,651
Miscellaneous	92,268	166,678
Total Revenues	<u>8,922,110</u>	<u>8,977,630</u>



## Management's Discussion and Analysis (Unaudited)(Continued)

	Governmental Activities – 2006	Governmental Activities – 2005
Program Expenses:		
Instruction	\$5,318,326	\$5,280,906
Supporting services	2,644,365	2,598,635
Community services	66,859	18,614
Other governmental units and transactions	462,659	509,628
Food service activities	265,437	295,383
Athletic activities	218,061	197,662
Depreciation – unallocated	461,106	460,511
Interest on long-term debt	164,823	299,739
Total Expenses	<u>9,601,636</u>	<u>9,661,078</u>
Increase (decrease) in net assets	(679,526)	(683,448)
Net assets, beginning	<u>2,319,795</u>	<u>3,003,243</u>
Net Assets, Ending	<u>1,640,269</u>	<u>\$2,319,795</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$9,601,636. Certain activities were partially funded from those who benefited from the programs \$320,924 or by other governments and organizations that subsidized certain programs with grants and categoricals \$1,565,944. We paid for the remaining "public benefit" portion of our governmental activities with \$1,021,317 in taxes, \$5,869,602 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of \$(679,526).

Key reasons for the change in net assets were as follows:

- Net increase in governmental fund balances of \$314,547.
- Depreciation charged to expense of \$(461,106).
- Purchase of capital assets in the amount of \$308,731.
- Principal payment on debt in the amount of \$191,293 and proceeds from debt issues of \$(1,133,233).
- Other miscellaneous transactions of \$(100,242).

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$5,318,326	\$3,877,483
Supporting services	2,644,365	2,592,496
Other governmental units	462,659	457,000
Food service activities	265,437	(9,590)
Athletic activities	218,061	104,591

## **Management's Discussion and Analysis (Unaudited) (Continued)**

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$1,474,199, a increase of \$314,547 from the beginning of the year.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

At June 30, 2006, the School District had \$30,565,744 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**

	Governmental Activities – 2006	Governmental Activities – 2005
Land	\$14,401	\$14,401
Construction in progress	29,561	9,166
Land improvements	378,665	194,700
Buildings	27,122,029	27,110,891
Machinery and equipment	2,361,222	2,327,496
Vehicles	659,866	648,298
	30,565,744	30,304,952
Less accumulated depreciation	(25,542,135)	(25,128,968)
Totals	\$5,023,609	\$5,175,984

This year's additions of \$308,731 included building renovations to the high school pool and bus garage. The Sinking Fund levy was used for these additions.

We anticipate capital additions for the 2006-2007 fiscal year will be comparable to the 2005-2006 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

## Management's Discussion and Analysis (Unaudited) (Continued)

### ***Debt***

At the end of this year, the School District had \$4,734,396 in bonds and notes outstanding as depicted in Table 5 below.

Table 5  
Outstanding Debt at Year End

	Governmental Activities – 2006	Governmental Activities – 2005
General obligation bonds	4,535,000	\$3,640,000
Durant Debt	109,163	118,112
Vehicle and copier notes	90,233	34,344
Totals	<u>\$4,734,396</u>	<u>\$3,792,456</u>

There was one major new addition to debt this year whereby 2006 School Building and Site Bonds were issued. We present more detailed information about our long-term debt in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2007 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2007 fiscal year budget was adopted in June 2006, based on an estimate of students that will be enrolled in September 2006. Approximately 75 percent to 80 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ishpeming City School District Administration, 319 E. Division Street, Ishpeming, Michigan 49849.

**Ishpeming City School District  
Statement of Net Assets  
June 30, 2006**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 2,500,315
Investments	63,686
Receivables:	
Accounts receivable	2,697
Due from other governmental units	1,524,465
Inventories	1,772
Prepaid expenses	9,766
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	4,102,701
	<hr/>
<b>Noncurrent assets:</b>	
Unamortized bond issue costs	48,226
Capital assets	30,565,744
Less accumulated depreciation	(25,542,135)
	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	5,071,835
	<hr/>
<b>TOTAL ASSETS</b>	9,174,536
	<hr/>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	47,376
Accrued payroll and other liabilities	472,774
Due to other governmental units	188,069
Deferred revenue	120,283
State aid notes payable	1,800,000
Current portion of bonds payable	159,373
Current portion of notes payable	44,526
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	2,832,401
	<hr/>
<b>Noncurrent liabilities:</b>	
Noncurrent portion of employee benefit obligations	210,253
Noncurrent portion of bonds payable	4,484,790
Less deferred loss on refunding bonds	(23,284)
Less unamortized bond discount	(15,600)
Noncurrent portion of notes payable	45,707
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	4,701,866
	<hr/>
<b>TOTAL LIABILITIES</b>	7,534,267
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	398,376
Restricted:	
Debt Service	1,083,439
Scholarships	183,763
Unrestricted	(25,309)
	<hr/>
<b>TOTAL NET ASSETS</b>	\$ 1,640,269
	<hr/>

See Notes to Financial Statements.

**Ishpeming City School District  
Statement of Activities  
For the Year Ended June 30, 2006**

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 5,318,326	\$ 103,607	\$ 1,337,236	\$ (3,877,483)
Supporting services	2,644,365	-	51,869	(2,592,496)
Community services	66,859	-	-	(66,859)
Other governmental units and transactions	462,659	-	5,659	(457,000)
Food service activities	265,437	114,993	160,034	9,590
Athletic activities	218,061	102,324	11,146	(104,591)
Interest on retirement of debt	164,823	-	-	(164,823)
Depreciation- unallocated	461,106	-	-	(461,106)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>9,601,636</b>	<b>320,924</b>	<b>1,565,944</b>	<b>(7,714,768)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				557,131
Property taxes, levied for debt services				309,686
Property taxes, levied for building and site fund				154,500
State Aid not restricted to specific purposes				5,869,602
Interest and investment earnings				52,055
Miscellaneous				92,268
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>7,035,242</b>
				<b>CHANGES IN NET ASSETS</b>
				(679,526)
Net Assets , July 1				2,319,795
			<b>NET ASSETS, JUNE 30</b>	<b>\$ 1,640,269</b>

See Notes to Financial Statements.

**Ishpeming City School District  
Governmental Funds  
Balance Sheet  
June 30, 2006**

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,062,794	\$ 1,083,439	\$ 354,082	\$ 2,500,315
Investments	-	-	63,686	63,686
Receivables:				
Accounts receivable	2,697	-	-	2,697
Due from other governmental units	1,522,748	-	1,717	1,524,465
Due from other funds	208,851	-	113,068	321,919
Inventories	-	-	1,772	1,772
Prepaid expenditures	9,766	-	-	9,766
<b>TOTAL ASSETS</b>	<u>\$ 2,806,856</u>	<u>\$ 1,083,439</u>	<u>\$ 534,325</u>	<u>\$ 4,424,620</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 33,946	\$ -	\$ 13,430	\$ 47,376
Accrued liabilities	472,774	-	-	472,774
Due to other governmental units	188,069	-	-	188,069
Due to other funds	113,068	-	208,851	321,919
Deferred revenue	120,283	-	-	120,283
State aid notes payable	1,800,000	-	-	1,800,000
<b>TOTAL LIABILITIES</b>	<u>2,728,140</u>	<u>-</u>	<u>222,281</u>	<u>2,950,421</u>
<b>FUND BALANCES:</b>				
Reserved	121,364	1,083,439	294,647	1,499,450
Unreserved, reported in:				
General Fund	(42,648)	-	-	(42,648)
Special Revenue Funds	-	-	17,397	17,397
<b>TOTAL FUND BALANCES</b>	<u>78,716</u>	<u>1,083,439</u>	<u>312,044</u>	<u>1,474,199</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,806,856</u>	<u>\$ 1,083,439</u>	<u>\$ 534,325</u>	<u>\$ 4,424,620</u>

See Notes to Financial Statements.

**Ishpeming City School District  
Governmental Funds  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2006**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>1,474,199</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

	Cost of capital assets	30,565,744
	Accumulated depreciation	<u>(25,542,135)</u>
		5,023,609

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds.		48,226
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Long-term liabilities are not due and payable in the current period and are  
not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current portion	159,373	
Bonds payable - long-term portion	4,484,790	
Deferred loss on refunding bonds	(23,284)	
Unamortized bond discount	(15,600)	
Notes payable - current portion	44,526	
Notes payable - long-term portion	45,707	
Employee benefit obligations	<u>210,253</u>	
		(4,905,765)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>1,640,269</u></b>
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See Notes to Financial Statements.

**Ishpeming City School District  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2006**

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Revenues from local sources	\$ 690,453	\$ 314,542	\$ 440,933	\$ 1,445,928
Revenues from State sources	6,797,166	-	19,766	6,816,932
Revenues from Federal sources	415,331	-	140,268	555,599
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>7,902,950</b>	<b>314,542</b>	<b>600,967</b>	<b>8,818,459</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	5,379,098	-	-	5,379,098
Supporting services	2,608,093	-	483,300	3,091,393
Community services	66,859	-	-	66,859
Debt Service:				
Principal	-	145,000	-	145,000
Interest	-	151,215	-	151,215
Capital outlay	138,877	-	247,581	386,458
Other	-	6,171	-	6,171
<b>TOTAL EXPENDITURES</b>	<b>8,192,927</b>	<b>302,386</b>	<b>730,881</b>	<b>9,226,194</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(289,977)</b>	<b>12,156</b>	<b>(129,914)</b>	<b>(407,735)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payments from other governmental units	103,607	-	-	103,607
Payments from other sources	93,277	-	-	93,277
Transfers in	-	-	106,944	106,944
Proceeds on sale of bonds	-	1,040,000	-	1,040,000
Premium on sale of bonds	-	(15,600)	-	(15,600)
Payments to escrow agent	-	-	-	-
Transfers out	(106,944)	-	-	(106,944)
Payments to other governmental units	(155,316)	-	-	(155,316)
Other transactions	(343,686)	-	-	(343,686)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(409,062)</b>	<b>1,024,400</b>	<b>106,944</b>	<b>722,282</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(699,039)</b>	<b>1,036,556</b>	<b>(22,970)</b>	<b>314,547</b>
Fund Balance, July 1	777,755	46,883	335,014	1,159,652
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 78,716</b>	<b>\$ 1,083,439</b>	<b>\$ 312,044</b>	<b>\$ 1,474,199</b>

See Notes to Financial Statements.



**Ishpeming City School District  
Governmental Funds  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>314,547</b>
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	461,106	
Capital outlays	<u>(308,731)</u>	(152,375)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(1,133,233)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	191,293
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Deferred loss on refunding bonds is reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.	(1,471)
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Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.	3,515
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Premium and discounts are recognized in the financial statements as other financing sources or uses but, they are amortized over the term of the bonds in the government-wide financial statements.	-
	15,600

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	82,598
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(679,526)</u></b>
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See Notes to Financial Statements.

**Ishpeming City School District  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2006**

	<u>Agency Funds</u>	<u>Private-Purpose Trust Funds</u>
	<u>Student Activity Fund</u>	<u>Auditorium Fund</u>
<b>ASSETS:</b>		
Cash and equivalents	\$ 53,849	\$ 2,444
<b>TOTAL ASSETS</b>	<u>\$ 53,849</u>	<u>2,444</u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ -	2,960
Due to groups, organizations and activities	<u>53,849</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 53,849</u>	<u>2,960</u>
 <b>NET ASSETS:</b>		
Held in trust for individuals, organizations, and other governments		<u>(516)</u>
<b>TOTAL NET ASSETS</b>		<u>\$ (516)</u>

See Notes to Financial Statements.

**Ishpeming City School District  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2006**

	<u>Private-Purpose Trust Fund</u>
	<u>Auditorium Fund</u>
<b>ADDITIONS:</b>	
Contributions:	
Gifts, bequests and endowments	<u>\$          2,690</u>
Total Contributions	<u>2,690</u>
Investment Income:	
Interest and dividends	<u>40</u>
Net Investment Income (Loss)	<u>40</u>
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	<u>2,730</u>
<b>DEDUCTIONS:</b>	
Payments in accordance with trust agreements	<u>12,315</u>
<b>TOTAL DEDUCTIONS</b>	<u>12,315</u>
<b>CHANGE IN NET ASSETS</b>	(9,585)
Net assets, beginning of year	<u>9,069</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$          (516)</u></u>

See Notes to Financial Statements.

# ISHPEMING CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Ishpeming City School District was organized in 1869. The School District operates under a Board-Superintendent form of government. The accounting policies of the Ishpeming City School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

#### Financial Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the Ishpeming City School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

### **BASIS OF PRESENTATION**

#### *District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

#### *Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

equity, revenues, and expenditures. The available resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major fund categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Fund Types

*General Fund* – The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* – Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Service, Athletics, and Scholarship Funds.

*Debt Retirement Funds* – Debt Retirement Funds are used to record tax, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

*Capital Projects Funds* – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

### Fiduciary Fund Types

*Trust and Agency Fund* – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Auditorium Fund* – The Auditorium Fund is a private-purpose trust fund used to account for assets held by the School District in a trustee capacity for operations of the Auditorium.

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

### Cash and Equivalents

The District considers cash and cash equivalents to be cash on hand, demand deposits and certificates of deposit.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

### Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

### Long-Term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

### Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

#### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District’s policy to use the restricted resources first.

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

## **OTHER SIGNIFICANT ACCOUNTING POLICIES**

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

1. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is approved by the Board of Education.
4. Budgets for all governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as approved and amended by the Board of Education.

### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Encumbrances

Appropriations in governmental funds are encumbered upon the issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities in the year the commitment is made.

### Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes.

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on August 1 and payable by September 14. The City of Ishpeming bills and collects the property taxes for the School District.

The School District voters authorized the School District to levy the following mileages for the 2005-2006 school year:

On nonresidential property, a total of 18 mills was approved for general operating expenditures on properties with a total taxable value of \$29,854,713.

On all residential and commercial property, 2.0 mills was levied out of a total of 4.486 mills approved for a Building Sinking Fund on properties with a total taxable value of \$77,481,990.

On all residential and commercial property, a total of 3.69 mills was approved for the purpose of retiring long-term obligations on properties with a total taxable value of \$77,481,990.

## NOTE B – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of June 30, 2006, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$2,500,315	\$56,293	\$2,556,608
Investments	63,686	-	63,686
	<u>\$2,564,001</u>	<u>\$56,293</u>	<u>\$2,620,294</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$2,631,365 of the District's bank balance of \$2,784,199 was exposed to custodial credit risk as being uninsured and uncollateralized.

### Investments

As of June 30, 2006, the District had the following investments.

Investment Type	Fair Value	Investment in Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Michigan Liquid Asset Fund – Mutual Funds	\$46,067	\$46,067	\$ -	\$ -	\$ -
General Motors – Corporate fixed income	17,619	-	-	17,619	-
Totals	<u>\$63,686</u>	<u>\$46,067</u>	<u>\$ -</u>	<u>\$17,619</u>	<u>\$ -</u>

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices. The District's investment in General Motors Corporate Fixed Income was rated BAA2 by Moody's Investors Service and BB by Standard & Poor's. Ratings are not required for the District's investment in Michigan Liquid Asset Fund-Mutual Funds. The District's investments are in accordance with statutory authority.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):***Concentration of Credit Risk*

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in the General Motors Corporate Fixed Income. These investments are 28% of the District's total investments.

**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units consist of various revenues due from federal and state sources for the operation of special programs and grant projects.

**NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

The School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$208,851	School Lunch	\$164,826
School Lunch	108,039	Athletics	28,556
Scholarship	5,029	Building Sinking	15,469
		General	113,068
Total	<u>\$321,919</u>	Total	<u>\$321,919</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Athletic Fund	<u>\$106,944</u>	General Fund	<u>\$106,944</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE E – CAPITAL ASSETS:**

Capital asset activity of the School District's governmental activities was as follows:

	Balance 6/30/05	Additions/ Adjustments	Deductions	Balance 6/30/06
Capital assets not being depreciated:				
Land	\$14,401	\$ -	\$ -	\$14,401
Construction in progress	9,166	204,360	183,965	29,561
Capital assets being depreciated:				
Land improvement	194,700	183,965	-	378,665
Buildings and additions	27,110,891	11,138	-	27,122,029
Machinery and equipment	2,327,496	33,726	-	2,361,222
Vehicles/buses	648,298	59,507	47,939	659,866
Total Capital Assets	30,304,952	492,696	231,904	30,565,744
Less accumulated depreciation:				
Land improvement	87,390	8,135	-	95,525
Buildings and additions	22,266,185	332,030	-	22,598,215
Machinery and equipment	2,203,386	81,706	-	2,285,092
Vehicles/buses	572,007	39,235	47,939	563,303
Total Accumulated Depreciation	25,128,968	461,106	47,939	25,542,135
CAPITAL ASSETS, NET	\$5,175,984	\$31,590	\$183,965	\$5,023,609

Depreciation expense charged to governmental activities was \$461,106.

**NOTE F – ACCRUED EMPLOYEE BENEFITS:**

Upon severing employment with the District, an employee has the option of selecting one of the following as severance pay:

1. Unused sick leave to be paid at \$35.00 per day up to a maximum of \$4,800 per employee.
2. An employee who has been employed for ten years or more shall be paid one week of current salary plus one day of current salary for each year of employment of the District in excess of ten years to a maximum of \$1,500.

As of June 30, 2006, the accrued employee benefits reported in the Statement of Net Assets is \$210,253.

**NOTE G – RESERVED FUND EQUITY:**

The School District reserves fund equities for the following funds:

General Fund – The resources of the General Fund have been accumulated for the following specific purposes:

Energy Conservation Funds	\$67,670
1.33 Mill Funds	53,694
	<u>\$121,364</u>

Special Revenue Funds – The resources of the Scholarship Fund have been accumulated for the specific purpose of granting scholarship to graduating students. The fund equities of \$183,763 are reserved for these purposes.

**NOTE G – RESERVED FUND EQUITY (Continued):**

**Debt Service Funds** – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. Of the fund equities of \$1,083,439, only \$64,963 is reserved for this purpose while the remaining portion, \$1,018,476, is reserved for future renovations of the athletics facility.

**Capital Projects Funds** – The resources of the Capital Projects Funds have been accumulated for the specific purpose of acquiring fixed assets. The fund equities of \$110,884 are reserved for these purposes.

**NOTE H – LONG-TERM DEBT:**

The following is a summary of the long-term debt activity for the year ending June 30, 2006:

	Balance 7/1/05	Additions	Deductions	Balance 6/30/06
1997 Serial Bonds	\$275,000	\$ -	\$135,000	\$140,000
2005 Refunding Bonds	3,365,000	-	10,000	3,355,000
Durant Bonds	118,112	-	8,949	109,163
2006 Serial Bonds	-	1,040,000	-	1,040,000
Vehicle Loans Payable	34,344	59,507	26,445	67,406
IT Loans Payable	-	33,726	10,899	22,827
Employee Benefits Payable	292,851	-	82,598	210,253
<b>TOTAL</b>	<b>\$4,085,307</b>	<b>\$1,133,233</b>	<b>\$273,891</b>	<b>\$4,944,649</b>

Long-term debt at June 30, 2006 consists of the following:

**IT Loan Payable** – The IT Loan Payable (\$33,700), dated October 6, 2005, matures monthly on the 6<sup>th</sup> of each month with an interest rate of 4.85% per annum.

School Year	Interest	Principal	Total
2006-2007	\$ 733	\$16,981	\$17,714
2007-2008	59	5,846	5,905
	<u>\$ 792</u>	<u>\$22,827</u>	<u>\$23,619</u>

**INSTALLMENT NOTES FOR VEHICLE AND BUS PURCHASES**  
**June 30, 2006**

Date	Original Amount	Interest Rate	Monthly Payment	Principal	Interest	Total
08/09/02	\$51,075	4.5%	\$953.74	\$11,980	\$324	\$12,304
04/16/04	17,406	3.75%	512.00	5,031	88	5,119
08/10/05	59,507	3.79%	1,091.17	50,395	4,164	54,559
				<u>\$67,406</u>	<u>\$4,576</u>	<u>\$71,982</u>

**1997 General Obligation  
School Building and Site Bonds**  
**June 30, 2006**

School Year	November 1 Interest	May 1		Total
		Interest	Principal	
2006-2007	<u>\$3,570</u>	<u>\$3,570</u>	<u>\$140,000</u>	<u>\$147,140</u>

General Obligation School Building and Site Serial Bonds originally issued for \$4,300,000 and dated November 1, 1997 mature annually on May 1, 1999 through May 1, 2022 and bear interest at a rate of 5.0% to 5.125% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

**NOTE H – LONG-TERM DEBT (Continued):**

The callable portion of these bonds maturing May 1, 2008 through May 1, 2022 were refunded with the 2005 refunding bonds. The non-call portion maturing May 1, 2006 through May 1, 2007 remains outstanding.

**2005 Refunding Bonds  
June 30, 2006**

School Year	November 1		May 1	
	Interest	Interest	Principal	Total
2006-2007	\$67,527	\$67,528	\$10,000	\$145,055
2007-2008	67,377	67,378	160,000	294,755
2008-2009	64,977	64,978	170,000	299,955
2009-2010	62,002	62,003	180,000	304,005
2010-2011	58,852	58,853	190,000	307,705
2012-2016	236,960	236,965	1,055,000	1,528,925
2017-2021	116,329	116,333	1,300,000	1,532,662
2022-2026	6,235	6,235	290,000	302,470
Totals	<u>\$680,259</u>	<u>\$680,273</u>	<u>\$3,355,000</u>	<u>\$4,715,532</u>

On April 28, 2005, the District issued \$3,365,000 in General Obligation Bonds with an average interest rate of 4.2% to advance refund \$3,340,000 of outstanding 1997 Serial Bonds with an average interest rate of 5.1%. The net proceeds of \$3,307,500 (after payment of \$57,500 in underwriting fees, insurance, and other issuance costs) plus an additional \$197,000 of 1997 series Debt Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 series bonds. As a result, the 1997 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$25,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 17 years by \$440,107 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$337,265.

School Year	Interest	Principal	Total
2006-2007	\$3,608	\$9,373	\$12,981
2007-2008	3,162	9,821	12,983
2008-2009	2,694	10,289	12,983
2009-2010	2,204	10,778	12,982
2011-2012	1,691	11,292	12,983
2013-2014	16,636	57,610	74,246
	<u>\$29,995</u>	<u>\$109,163</u>	<u>\$139,158</u>

The School Improvement Bonds, Series 1998 (\$184,877) dated November 24, 1998 mature annually on May 15 with interest at a rate of 4.75% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an appropriation from the State of Michigan. If the legislature fails to appropriate the funds, the School District is under no obligation for payment.

**NOTE H – LONG-TERM DEBT (Continued):**

**2006 General Obligation  
School Building and Site Bonds  
June 30, 2006**

School Year	November 1 Interest	May 1		Total
		Interest	Principal	
2006-2007	\$14,728	\$21,554	\$-	\$36,282
2007-2008	21,554	21,554	40,000	83,108
2008-2009	20,754	20,754	40,000	81,508
2009-2010	19,954	19,954	40,000	79,908
2010-2011	19,154	19,154	40,000	78,308
2012-2016	83,170	83,170	225,000	391,340
2016-2021	58,197	58,197	285,000	401,394
2021-2026	24,671	24,671	370,000	419,342
Totals	<u>\$262,182</u>	<u>\$269,008</u>	<u>\$1,040,000</u>	<u>\$1,571,190</u>

General Obligation School Building and Site Serial Bonds originally issued for \$1,040,000 and dated June 28, 2006 mature annually on May 1, 2008 through May 1, 2026 and bear interest at a rate of 4.0% to 4.3% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

As of June 30, 2006 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

	Principal	Interest	Total
2006-2007	\$203,899	\$184,931	\$388,830
2007-2008	228,332	182,372	410,704
2008-2009	232,564	174,976	407,540
2009-2010	243,526	166,462	409,988
2010-2011	243,465	157,714	401,179
2011-2016	1,337,610	656,898	1,994,508
2017-2022	1,585,000	349,054	1,934,054
2022-2026	660,000	61,818	721,818
Employer Benefits Payable	210,253	-	210,253
TOTALS	<u>\$4,944,649</u>	<u>\$1,934,225</u>	<u>\$6,878,874</u>

**NOTE I – SHORT-TERM DEBT:**

The District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2006, is as follows:

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
State Anticipation Note	<u>\$885,000</u>	<u>\$1,800,000</u>	<u>\$885,000</u>	<u>\$1,800,000</u>

## **NOTE J – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:**

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February 2006 and October of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2005 – August 2006. The local revenue is recognized as outlined in Note A – Property Taxes.

## **NOTE K – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:**

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2006:

	<u>Excess Expenditures/Expenses</u>
General Fund:	
Supporting Services – student services	\$ 2,119
Supporting Services – instructional staff	4,661
Supporting Services – operations and maintenance	33,111
Supporting Services – other	3,769
Special Revenue Funds:	
Athletic Activities	24,027

## **NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.



## **NOTE L – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2005 and 16.34% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$920,030 which consisted of \$787,947 from the District and \$132,083 from employees electing the MIP option. These represent approximately 16% and 3% of covered payroll, respectively. The District's aggregate contributions to the MPSERS plan for the years ended June 30, 2005, and 2004 were \$798,512 and \$644,662, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$4,925,000. The District's total payroll was approximately \$4,962,000.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48929-8103.

## **NOTE M – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE N – ECONOMIC DEPENDENCY:**

The School District receives approximately 84 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of the Ishpeming City School District.

**NOTE O – SINKING FUNDS:**

The Building Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For (this) these funds, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

## REQUIRED FINANCIAL INFORMATION

**Ishpeming City School District  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local Sources	\$ 687,895	\$ 743,033	\$ 690,453	\$ 55,138	\$ (52,580)
State sources	6,224,377	6,583,774	6,797,166	359,397	213,392
Federal Sources	347,034	676,652	415,331	329,618	(261,321)
<b>TOTAL REVENUES</b>	<b>7,259,306</b>	<b>8,003,459</b>	<b>7,902,950</b>	<b>744,153</b>	<b>(100,509)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic programs	3,274,883	3,628,904	3,601,656	(354,021)	27,248
Added needs	1,531,882	1,780,921	1,777,442	(249,039)	3,479
Employee benefits - instruction	-	-	-	-	-
<b>Total Instruction</b>	<b>4,806,765</b>	<b>5,409,825</b>	<b>5,379,098</b>	<b>(603,060)</b>	<b>30,727</b>
<b>Supporting Services:</b>					
Student services	173,651	180,448	182,567	(6,797)	(2,119)
Instructional staff	102,838	108,567	113,228	(5,729)	(4,661)
General administration	268,485	263,722	262,982	4,763	740
School administration	491,514	531,176	521,624	(39,662)	9,552
Business services	116,320	129,252	126,569	(12,932)	2,683
Operation and maintenance of plant	984,124	1,139,117	1,172,228	(154,993)	(33,111)
Pupil transportation	294,965	233,562	209,748	61,403	23,814
Other supporting services	-	15,378	19,147	(15,378)	(3,769)
<b>Total Supporting Services</b>	<b>2,431,897</b>	<b>2,601,222</b>	<b>2,608,093</b>	<b>(169,325)</b>	<b>(6,871)</b>
<b>Community Services:</b>					
Childcare center	-	43,400	38,697	(43,400)	4,703
Playground maintenance	-	15,000	28,162	(15,000)	(13,162)
<b>Total Community Services</b>	<b>-</b>	<b>58,400</b>	<b>66,859</b>	<b>(58,400)</b>	<b>(8,459)</b>
<b>Other Expenditures:</b>					
Capital outlay	-	132,182	138,877	(132,182)	(6,695)
<b>TOTAL EXPENDITURES</b>	<b>7,238,662</b>	<b>8,201,629</b>	<b>8,192,927</b>	<b>(962,967)</b>	<b>8,702</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>20,644</b>	<b>(198,170)</b>	<b>(289,977)</b>	<b>(218,814)</b>	<b>(91,807)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Payments from other governmental units	329,123	76,300	103,607	(252,823)	27,307
Payments from other sources	-	-	93,277	-	93,277
Transfers (out)	-	(116,382)	(106,944)	(116,382)	9,438
Payments to other governmental units	(97,115)	(120,742)	(155,316)	(23,627)	(34,574)
Other transactions	(419,097)	(378,687)	(343,686)	40,410	35,001
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(187,089)</b>	<b>(539,511)</b>	<b>(409,062)</b>	<b>(352,422)</b>	<b>130,449</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(166,445)</b>	<b>(737,681)</b>	<b>(699,039)</b>	<b>(571,236)</b>	<b>38,642</b>
Fund Balance, July 1	777,755	777,755	777,755	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 611,310</b>	<b>\$ 40,074</b>	<b>\$ 78,716</b>	<b>\$ (571,236)</b>	<b>\$ 38,642</b>

SUPPLEMENTAL FINANCIAL  
INFORMATION

**Ishpeming City School District  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Revenue from Local Sources:			
General Fund property tax levy	\$ 517,000	\$ 553,450	\$ 36,450
Penalty and interest on taxes	1,500	3,681	2,181
Earnings from investments	23,000	34,979	11,979
Rental income	2,000	2,066	66
Private sources (contributions)	6,300	6,119	(181)
Other local revenue	193,233	90,158	(103,075)
Total Local Sources	743,033	690,453	(52,580)
Revenue from State Sources:			
State school aid - unrestricted	5,902,203	5,869,602	(32,601)
Grants Restricted:			
Low Income - Section 31.A	162,736	177,164	14,428
Special Education	365,702	277,338	(88,364)
Drivers Education	-	-	-
Vocational Education	22,446	17,544	(4,902)
Early Childhood Education	112,200	80,403	(31,797)
Durant Funds	18,487	36,976	18,489
Advanced and Accelerated Learning	-	-	-
Other grants received through MARESA	-	338,139	338,139
Total State Sources	6,583,774	6,797,166	213,392
Revenue from Federal Sources:			
Restricted - received through the state:			
E.C.I.A. Title I Grants	211,000	229,229	18,229
Technology Literacy Challenge	-	-	-
Title V LEA Allocation	1,710	1,710	-
Title IID	6,106	3,949	(2,157)
Improving Teacher Quality	66,936	66,936	-
Handicapped Preschool	-	3,174	3,174
Restricted - received through MARESA:			
Other	384,324	101,496	(282,828)
Direct award - Title VII Indian Education	6,576	8,837	2,261
Total Federal Sources	676,652	415,331	(261,321)
<b>TOTAL REVENUES</b>	<b>\$ 8,003,459</b>	<b>\$ 7,902,950</b>	<b>\$ (100,509)</b>
<b>EXPENDITURES:</b>			
Instruction:			
Basic Programs:			
Elementary:			
Salaries:			
Teachers	728,052	711,293	16,759
Substitute teachers	56,000	16,039	39,961
Employee benefits:			
Insurances	258,376	270,710	(12,334)
F.I.C.A. and retirement	234,530	198,159	36,371
Other	1,988	11,984	(9,996)

**Ishpeming City School District**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Purchased services:			
Travel and conferences	\$ 700	\$ 504	\$ 196
Other	8,100	7,969	131
Supplies, materials and other expenses:			
Teaching supplies	25,500	24,030	1,470
Textbooks	1,200	1,161	39
Other	7,800	5,677	2,123
Capital Outlay	12,075	12,715	(640)
Total Elementary	1,334,321	1,260,241	74,080
Middle School:			
Salaries:			
Teachers	697,535	751,623	(54,088)
Substitute teachers	55,800	32,875	22,925
Employee benefits:			
Insurances	189,923	210,381	(20,458)
F.I.C.A. and retirement	183,265	184,314	(1,049)
Other	1,000	3,491	(2,491)
Purchased services:			
Travel and conferences	2,550	450	2,100
Other	16,774	15,998	776
Supplies, materials and other expenses:			
Teaching supplies	12,359	13,658	(1,299)
Textbooks	-	-	-
Other	7,650	8,680	(1,030)
Capital Outlay	11,800	11,668	132
Total Middle School	1,178,656	1,233,138	(54,482)
High School:			
Salaries:			
Teachers	658,766	665,120	(6,354)
Substitute teachers	19,500	11,560	7,940
Employee benefits:			
Insurances	178,616	184,978	(6,362)
F.I.C.A. and retirement	206,812	203,113	3,699
Other	100	3,323	(3,223)
Purchased services:			
Professional and technical	1,200	1,145	55
Travel and conferences	300	-	300
Other	11,260	9,880	1,380
Supplies, materials and other expenses:			
Teaching supplies	17,500	17,534	(34)
Textbooks	2,300	2,250	50
High School (Continued):			
Memberships	2,000	1,966	34
Other	18,500	19,046	(546)
Capital Outlay	17,250	17,090	160
Total High School	1,134,104	1,137,005	(2,901)

**Ishpeming City School District  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other Basic Programs:			
Salaries	\$ 11,100	\$ 9,032	\$ 2,068
Employee benefits:			
Insurances	1,700	335	1,365
F.I.C.A. and retirement	2,663	2,160	503
Purchased services:			
Rental	55	54	1
Supplies, materials and other expenses:			
Other	1,230	1,164	66
Capital outlay	6,200	6,146	54
	<u>22,948</u>	<u>18,891</u>	<u>4,057</u>
Total Other Basic Programs			
	<u>22,948</u>	<u>18,891</u>	<u>4,057</u>
Total K-12 Instruction	<u>3,670,029</u>	<u>3,649,275</u>	<u>20,754</u>
Added Needs:			
Special Education:			
Salaries:			
Teachers	582,952	581,654	1,298
Teachers aides	163,500	152,709	10,791
Other salaries	15,000	24,571	(9,571)
Employee benefits:			
Insurances	132,000	136,450	(4,450)
F.I.C.A. and retirement	182,672	175,630	7,042
Other	-	-	-
Purchased services:			
Professional and technical	73,722	70,713	3,009
Travel and conferences	1,800	1,809	(9)
Supplies, materials and other expenses:			
Teaching supplies	3,550	3,525	25
Textbooks	-	-	-
Other	6,800	6,005	795
Capital Outlay	600	528	72
	<u>1,162,596</u>	<u>1,153,594</u>	<u>9,002</u>
Total Special Education			
	<u>1,162,596</u>	<u>1,153,594</u>	<u>9,002</u>
Section 31.A:			
Salaries:			
Teachers	78,610	79,320	(710)
Other salaries	14,850	14,850	-
Employee benefits:			
Insurances	24,000	24,273	(273)
F.I.C.A. and retirement	18,826	18,979	(153)
Purchased services:			
Professional and technical	20,000	16,684	3,316
Supplies, materials and other expenses:			
Teaching supplies	-	-	-
Other	1,000	1,000	-
Section 31A (Continued):			
Capital Outlay	-	-	-
	<u>157,286</u>	<u>155,106</u>	<u>2,180</u>
Total Section 31.A			
	<u>157,286</u>	<u>155,106</u>	<u>2,180</u>



**Ishpeming City School District**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
E.C.I.A. - Title I:			
Salaries:			
Teachers	\$ 105,215	\$ 129,438	\$ (24,223)
Other salaries	39,439	10,882	28,557
Employee benefits:			
Insurances	26,750	33,325	(6,575)
F.I.C.A. and retirement	32,334	34,062	(1,728)
Purchased services:			
Contracted services	5,000	2,059	2,941
Travel and conferences	100	74	26
Supplies, materials and other expenses:			
Teaching supplies	623	444	179
Other	150	106	44
Capital Outlay	-	-	-
Total E.C.I.A. - Title 1	209,611	210,390	(779)
Title II, Part A and D Grant:			
Salaries - teachers	71,175	62,850	8,325
Purchased services:			
Contracted services	-	2,127	(2,127)
Travel and conferences	-	7,806	(7,806)
Supplies, materials and other expenses:			
Other	-	25	(25)
Title II, Part A and D Grant:	71,175	72,808	(1,633)
Vocational Education:			
Salaries:			
Teachers	108,880	108,474	406
Other salaries	1,600	1,458	142
Employee benefits:			
Insurances	27,000	31,555	(4,555)
F.I.C.A. and retirement	26,300	26,144	156
Purchased services:			
Contracted services	1,000	1,647	(647)
Travel and conferences	800	1,608	(808)
Building rental	3,773	3,773	-
Supplies, materials and other expenses:			
Teaching supplies	6,250	6,357	(107)
Other supplies	1,050	1,101	(51)
Other	4,200	3,955	245
Capital Outlay	13,000	13,549	(549)
Total Vocational Education	193,853	199,621	(5,768)
Total Unallocated Employee Benefits - Instruction	-	-	-
<b>TOTAL INSTRUCTION</b>	<b>5,464,550</b>	<b>5,440,794</b>	<b>23,756</b>
<b>Supporting Services:</b>			
Student Services:			
Guidance:			
Salaries - guidance personnel	62,613	63,425	(812)
Employee benefits:			
Insurances	15,800	17,112	(1,312)
F.I.C.A. and retirement	15,027	15,065	(38)
Other	-	-	-

**Ishpeming City School District**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Purchased services:			
Contracted services	\$ -	\$ -	\$ -
Travel and conferences	-	-	-
Supplies, materials and other expenses:			
Miscellaneous supplies	-	-	-
Capital Outlay	-	-	-
Total Guidance Services	93,440	95,602	(2,162)
Health:			
Salaries - school nurse	55,432	55,432	-
Employee benefits:			
Insurances	16,600	16,865	(265)
F.I.C.A. and retirement	13,299	13,173	126
Other	-	-	-
Purchased services:			
Contracted services	500	470	30
Travel and conferences	425	369	56
Communications	240	194	46
Supplies, materials and other expenses:			
Medical supplies	512	462	50
Other	-	-	-
Total Health Services	87,008	86,965	43
Total Student Services	180,448	182,567	(2,119)
Instructional Staff:			
Improvement of instruction			
Salaries	-	1,824	(1,824)
Employee benefits:			
F.I.C.A. and retirement	-	239	(239)
Purchased services:			
Supplies, materials and other expenses:	-	1,699	(1,699)
	-	3,686	(3,686)
Total Improvement of Instruction	-	7,448	(7,448)
Library:			
Salaries:			
Librarian	45,542	46,088	(546)
Aides	23,750	22,062	1,688
Employee benefits:			
Insurances	16,360	15,758	602
F.I.C.A. and retirement	17,065	16,214	851
Purchased services:			
Travel and conferences	4,150	4,046	104
Supplies, materials and other expenses:			
Periodicals and paperbacks	1,500	1,426	74
Miscellaneous	200	186	14
Capital outlay	-	-	-
Total Library	108,567	105,780	2,787
Total Instructional Staff	108,567	113,228	(4,661)

**Ishpeming City School District**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Administration:			
Board of Education:			
Salaries - election inspectors	\$ 100	\$ 696	\$ (596)
Purchased services:			
Legal fees	10,000	9,852	148
Auditing services	6,900	6,400	500
Appraisal and architectural fees	6,000	5,705	295
Contracted services	10,400	12,566	(2,166)
Printing and publishing	100	35	65
Supplies, materials and other expenses:			
Dues and memberships	2,550	2,411	139
Other	3,890	2,070	1,820
Total Board of Education	39,940	39,735	205
Executive Administration:			
Salaries:			
Superintendent	90,130	90,120	10
Secretarial	46,370	46,559	(189)
Employee benefits:			
Insurances	34,000	33,982	18
F.I.C.A. and retirement	32,282	32,273	9
Other	1,200	1,200	-
Purchased services:			
Travel and conferences	1,600	1,501	99
Printing and publishing	7,550	7,542	8
Other	2,050	1,623	427
Supplies, materials and other expenses:			
Office supplies	5,150	5,690	(540)
Dues and memberships	2,100	2,097	3
Other	1,350	660	690
Capital outlay	900	1,000	(100)
Total Executive Administration	224,682	224,247	435
Total General Administration	264,622	263,982	640
School Administration:			
Office of the Principal:			
Salaries:			
Principals	210,229	205,497	4,732
Secretaries	123,000	123,354	(354)
Employee benefits:			
Insurances	113,250	110,694	2,556
F.I.C.A. and retirement	75,492	73,238	2,254
Other	-	-	-
Purchased services:			
Travel	370	239	131
Conferences and workshops	785	750	35
Printing and publishing	1,250	1,234	16
Supplies, materials and other expenses:			
Office supplies	2,700	2,586	114
Dues and memberships	-	-	-
Other	4,100	4,032	68
Capital outlay	500	454	46
Total Office of the Principal	531,676	522,078	9,598

**Ishpeming City School District**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Business:			
Fiscal Services:			
Salaries:			
Business manager	\$ 32,200	\$ 32,059	\$ 141
Secretarial	29,892	30,111	(219)
Employee benefits:			
Insurances	32,500	32,484	16
F.I.C.A. and retirement	17,860	17,955	(95)
Other	-	-	-
Purchased services:			
Travel and conferences	275	268	7
Printing and publishing	100	95	5
Insurance	-	-	-
Equipment rental	6,225	6,176	49
Supplies, materials and other expenses:			
Office supplies	2,000	1,867	133
Other	8,200	5,554	2,646
Capital outlay	1,350	1,304	46
Total Fiscal Services	130,602	127,873	2,729
Operations and Maintenance of Plant:			
Salaries:			
Custodial	320,580	322,047	(1,467)
Maintenance personnel	37,690	36,561	1,129
Employee benefits:			
Insurances	101,400	113,981	(12,581)
F.I.C.A. and retirement	84,667	85,392	(725)
Other	5,000	4,820	180
Purchased services:			
Heating fuel - gas	212,000	219,453	(7,453)
Electricity	133,000	144,766	(11,766)
Water and sewer	20,660	22,791	(2,131)
Trash disposal	15,300	15,278	22
Telephone	26,650	28,492	(1,842)
Insurance	20,300	20,125	175
Contracted services - building	19,450	16,960	2,490
Contracted services - equipment	57,000	57,112	(112)
Supplies, materials and other expenses:			
Gas, oil and grease	3,200	2,800	400
Vehicle repair parts	600	198	402
Supplies and materials	71,600	71,530	70
Other	10,020	9,922	98
Capital outlay	15,200	14,916	284
Total Operation and Maintenance of Plant	1,154,317	1,187,144	(32,827)
Pupil Transportation:			
Salaries:			
Bus drivers	99,225	98,240	985
Other	23,200	7,923	15,277
Employee benefits:			
Insurances	1,200	1,190	10
F.I.C.A. and retirement	25,546	21,160	4,386
Other	-	-	-

**Ishpeming City School District  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Purchased services:			
Insurance	\$ 8,241	\$ 8,041	\$ 200
Supplies, materials and other expenses:			
Gas, oil and grease	28,500	27,642	858
Tires and batteries	5,100	5,031	69
Vehicle repair parts	10,500	10,317	183
Repair and maintenance	16,000	15,570	430
Other	16,050	14,634	1,416
Capital outlay	59,507	59,507	-
<b>Total Pupil Transportation</b>	<b>293,069</b>	<b>269,255</b>	<b>23,814</b>
Support Services - Other:			
Salaries	12,393	12,363	30
Employee benefits:			
Insurances	-	3,861	(3,861)
F.I.C.A. and retirement	2,985	2,923	62
Other	-	-	-
Purchased services:			
Other	-	-	-
<b>Total Support Services - Other</b>	<b>15,378</b>	<b>19,147</b>	<b>(3,769)</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>2,678,679</b>	<b>2,685,274</b>	<b>(6,595)</b>
<b>Community Services:</b>			
Childcare center			
Salaries	29,500	28,174	1,326
Employee benefits			
Insurances	2,600	2,263	337
F.I.C.A. and retirement	7,050	4,798	2,252
Purchased services	2,400	2,155	245
Supplies, materials and other expenses	1,850	1,307	543
<b>Total Childcare Center</b>	<b>43,400</b>	<b>38,697</b>	<b>4,703</b>
Playground maintenance	15,000	28,162	(13,162)
<b>TOTAL COMMUNITY SERVICES</b>	<b>58,400</b>	<b>66,859</b>	<b>(8,459)</b>
<b>TOTAL EXPENDITURES</b>	<b>8,201,629</b>	<b>8,192,927</b>	<b>8,702</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(198,170)</b>	<b>(289,977)</b>	<b>(91,807)</b>
<b>Other Financing Sources (Uses):</b>			
Payments received from other governmental units within the State:			
MARESA	-	5,114	5,114
Other	76,300	98,493	22,193
Other Sources:			
Loan proceeds	-	93,233	93,233
Other sources	-	44	44
<b>Other Financing Sources</b>	<b>76,300</b>	<b>196,884</b>	<b>120,584</b>

**Ishpeming City School District  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Transfers out:			
Athletics	\$ (116,382)	\$ (106,944)	\$ 9,438
School lunch fund	-	-	-
Scholarship fund	-	-	-
Total Transfers Out	<u>(116,382)</u>	<u>(106,944)</u>	<u>9,438</u>
Payments to Other Governmental Units:			
Vocational Education Tuition	(20,000)	(24,525)	(4,525)
N.M.U. Dual Enrollments	(22,000)	(24,795)	(2,795)
M.A.R.E.S.A.	(11,500)	(11,050)	450
Special Education - NICE and Negaunee	(40,000)	(67,410)	(27,410)
Social Worker - NICE	(19,676)	(24,555)	(4,879)
Other	(7,566)	(2,981)	4,585
Total Payments to Other Governmental Units	<u>(120,742)</u>	<u>(155,316)</u>	<u>(34,574)</u>
Other Transactions:			
Safe and Drug Free Schools Grant	(2,991)	(2,810)	181
Gifted and Talented Grant	(17,635)	(12,397)	5,238
Title V, Innovative Program Grant	(1,710)	(1,710)	-
Taxes Written Off	(5,000)	(4,268)	732
Payment on Bus Loans	(24,000)	(23,361)	639
Other Loan Payments	(56,560)	(51,902)	4,658
Early Childhood Grant	(139,278)	(106,169)	33,109
Partnership Grant	(400)	(336)	64
Technology	(131,113)	(140,733)	(9,620)
Total Other Transactions	<u>(378,687)</u>	<u>(343,686)</u>	<u>35,001</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(539,511)</u>	<u>(409,062)</u>	<u>130,449</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(737,681)</u>	<u>(699,039)</u>	<u>38,642</u>
Fund Balance, July 1	<u>777,755</u>	<u>777,755</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 40,074</u></u>	<u><u>\$ 78,716</u></u>	<u><u>\$ 38,642</u></u>

**Ishpeming City School District  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2006**

	Special Revenue Funds	Capital Projects Fund	Total
<b>ASSETS:</b>			
Cash and equivalents	\$ 260,366	\$ 93,716	\$ 354,082
Investments	17,619	46,067	63,686
Accounts receivable	-	-	-
Due from other funds	113,068	-	113,068
Due from other governmental units	1,717	-	1,717
Inventory - food and supplies	1,772	-	1,772
<b>TOTAL ASSETS</b>	<u>\$ 394,542</u>	<u>\$ 139,783</u>	<u>\$ 534,325</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 13,430	\$ 13,430
Due to other funds	193,382	15,469	208,851
Other liabilities	-	-	-
<b>TOTAL LIABILITIES</b>	<u>193,382</u>	<u>28,899</u>	<u>222,281</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt service	-	-	-
Capital outlay	-	110,884	110,884
Scholarship	183,763	-	183,763
Unreserved - reported in special revenue funds	17,397	-	17,397
<b>TOTAL FUND BALANCES</b>	<u>201,160</u>	<u>110,884</u>	<u>312,044</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 394,542</u>	<u>\$ 139,783</u>	<u>\$ 534,325</u>

**Ishpeming City School District  
Nonmajor Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Fund	Total
<b>REVENUES:</b>			
Revenues from Local sources	\$ 281,604	\$ 159,329	\$ 440,933
Revenues from State sources	19,766	-	19,766
Revenues from Federal sources	140,268	-	140,268
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>441,638</b>	<b>159,329</b>	<b>600,967</b>
<b>EXPENDITURES:</b>			
Supporting services	483,300	-	483,300
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	21,128	226,453	247,581
Other	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>504,428</b>	<b>226,453</b>	<b>730,881</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(62,790)</b>	<b>(67,124)</b>	<b>(129,914)</b>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	106,944	-	106,944
Proceeds on sale of bonds	-	-	-
Premium on sale of bonds	-	-	-
Payments to escrow agent	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>106,944</b>	<b>-</b>	<b>106,944</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>44,154</b>	<b>(67,124)</b>	<b>(22,970)</b>
Fund Balance, July 1	157,006	178,008	335,014
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 201,160</b>	<b>\$ 110,884</b>	<b>\$ 312,044</b>



**Ishpeming City School District  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
June 30, 2006**

	School Lunch Fund	Athletic Fund	Scholarship Fund	Total
<b>ASSETS:</b>				
Cash and equivalents	\$ 63,195	\$ 36,056	\$ 161,115	\$ 260,366
Investments	-	-	17,619	17,619
Due from other funds	108,039	-	5,029	113,068
Due from other governmental units	1,717	-	-	1,717
Inventory - food and supplies	1,772	-	-	1,772
<b>TOTAL ASSETS</b>	<u>\$ 174,723</u>	<u>\$ 36,056</u>	<u>\$ 183,763</u>	<u>\$ 394,542</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Due to other funds	\$ 164,826	\$ 28,556	\$ -	\$ 193,382
<b>TOTAL LIABILITIES</b>	<u>164,826</u>	<u>28,556</u>	<u>-</u>	<u>193,382</u>
<b>FUND BALANCES:</b>				
Fund balance - unreserved	9,897	7,500		17,397
Fund balance - reserved	-	-	183,763	183,763
<b>TOTAL FUND BALANCES</b>	<u>9,897</u>	<u>7,500</u>	<u>183,763</u>	<u>201,160</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 174,723</u>	<u>\$ 36,056</u>	<u>\$ 183,763</u>	<u>\$ 394,542</u>

**Ishpeming City School District  
Nonmajor Special Revenue Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2006**

	School Lunch Fund	Athletic Fund	Scholarship Fund	Total
<b>REVENUES:</b>				
Revenues from Local sources	\$ 115,300	\$ 113,617	\$ 52,687	\$ 281,604
Revenues from State sources	19,766	-	-	19,766
Revenues from Federal sources	140,268	-	-	140,268
<b>TOTAL REVENUES</b>	<b>275,334</b>	<b>113,617</b>	<b>52,687</b>	<b>441,638</b>
<b>EXPENDITURES:</b>				
Supporting services	264,299	198,071	20,930	483,300
Capital outlay	1,138	19,990	-	21,128
<b>TOTAL EXPENDITURES</b>	<b>265,437</b>	<b>218,061</b>	<b>20,930</b>	<b>504,428</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,897</b>	<b>(104,444)</b>	<b>31,757</b>	<b>(62,790)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	106,944	-	106,944
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,897</b>	<b>2,500</b>	<b>31,757</b>	<b>44,154</b>
Fund Balance, July 1	-	5,000	152,006	157,006
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 9,897</b>	<b>\$ 7,500</b>	<b>\$ 183,763</b>	<b>\$ 201,160</b>

**Ishpeming City School District  
School Lunch Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Revenues from Local Sources:			
Sale of lunches	\$ 113,000	\$ 114,993	\$ 1,993
Income from investments	275	307	32
Total Revenues from Local Sources	<u>113,275</u>	<u>115,300</u>	<u>2,025</u>
Revenues from State Sources:			
State Aid	15,000	15,046	46
Grants received from the State	4,000	4,720	720
Total Revenues from State Sources	<u>19,000</u>	<u>19,766</u>	<u>766</u>
Revenues from Federal Sources:			
Grants restricted:			
Received through the State	120,000	123,221	3,221
U.S.D.A. Entitlement	13,000	14,580	1,580
U.S.D.A. Bonus	2,000	2,467	467
Total Revenues from Federal Sources	<u>135,000</u>	<u>140,268</u>	<u>5,268</u>
<b>TOTAL REVENUES</b>	<u>267,275</u>	<u>275,334</u>	<u>8,059</u>
<b>EXPENDITURES:</b>			
Salaries and wages	115,000	110,704	4,296
Employee benefits	29,198	27,189	2,009
Purchased services	500	547	(47)
Food costs	125,000	124,490	510
Supplies, materials, and other expenses	1,500	1,369	131
Capital outlay	1,200	1,138	62
<b>TOTAL EXPENDITURES</b>	<u>272,398</u>	<u>265,437</u>	<u>6,961</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	(5,123)	9,897	15,020
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	(5,123)	9,897	15,020
Fund Balance, July 1	-	-	-
<b>FUND BALANCE, JUNE 30</b>	<u>\$ (5,123)</u>	<u>\$ 9,897</u>	<u>\$ 15,020</u>

**Ishpeming City School District  
Athletic Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Gate receipts and tournament activity	\$ 52,807	\$ 82,466	\$ 29,659
Participation fee	20,275	19,858	(417)
Income from investments	130	147	17
Other local sources	11,096	11,146	50
<b>TOTAL REVENUES</b>	<b>84,308</b>	<b>113,617</b>	<b>29,309</b>
<b>EXPENDITURES:</b>			
Salaries	110,005	109,170	835
Employee benefits	20,582	21,993	(1,411)
Purchased services	23,000	19,097	3,903
Supplies, materials and tournament activity	24,447	47,811	(23,364)
Capital outlay	16,000	19,990	(3,990)
<b>TOTAL EXPENDITURES</b>	<b>194,034</b>	<b>218,061</b>	<b>(24,027)</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(109,726)</b>	<b>(104,444)</b>	<b>5,282</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	106,944	106,944
<b>NET CHANGE IN FUND BALANCE</b>	<b>(109,726)</b>	<b>2,500</b>	<b>112,226</b>
Fund Balance, July 1	5,000	5,000	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ (104,726)</b>	<b>\$ 7,500</b>	<b>\$ 112,226</b>

**Ishpeming City School District  
Scholarship Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Contributions from private sources	\$ -	\$ 45,750	\$ 45,750
Income from investments	-	6,937	6,937
Other local sources	-	-	-
<b>TOTAL REVENUES</b>	-	52,687	52,687
<b>EXPENDITURES:</b>			
Scholarships granted	-	20,930	(20,930)
Other	-	-	-
<b>TOTAL EXPENDITURES</b>	-	20,930	(20,930)
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	-	31,757	31,757
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	31,757	31,757
Fund Balance, July 1	-	152,006	(152,006)
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ 183,763</u>	<u>\$ (120,249)</u>

**Ishpeming City School District  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 309,686	\$ 309,686
Income from investments	-	4,856	4,856
<b>TOTAL REVENUES</b>	-	314,542	314,542
<b>EXPENDITURES:</b>			
Principal payments	-	145,000	(145,000)
Interest and fiscal charges	-	151,215	(151,215)
Other	-	6,171	(6,171)
<b>TOTAL EXPENDITURES</b>	-	302,386	(302,386)
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	-	12,156	12,156
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds on sale of bonds		1,040,000	1,040,000
Premium on sale of bonds		(15,600)	(15,600)
Payments to escrow agent		-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	1,024,400	1,024,400
<b>NET CHANGE IN FUND BALANCE</b>	-	1,036,556	1,036,556
Fund Balance, July 1	-	46,883	46,883
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ 1,083,439</u>	<u>\$ 1,083,439</u>

**Ishpeming City School District**  
**Capital Projects Fund**  
**Building Sinking Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Property taxes	\$ 160,760	\$ 154,500	\$ (6,260)
Income from investments	-	4,829	4,829
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<u>160,760</u>	<u>159,329</u>	<u>(1,431)</u>
<b>EXPENDITURES:</b>			
Capital outlay	<u>150,000</u>	<u>226,453</u>	<u>(76,453)</u>
<b>TOTAL EXPENDITURES</b>	<u>150,000</u>	<u>226,453</u>	<u>(76,453)</u>
<b>NET CHANGE IN FUND BALANCE</b>	10,760	(67,124)	(77,884)
Fund Balance, July 1	<u>178,008</u>	<u>178,008</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 188,768</u></u>	<u><u>\$ 110,884</u></u>	<u><u>\$ (77,884)</u></u>

## COMPLIANCE SECTION





# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ishpeming City School District as of and for the year ended June 30, 2006, which collectively comprise the Ishpeming City School District's basic financial statements and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ishpeming City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Ishpeming City School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ishpeming City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and questioned costs as item 06-3.

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

We also noted certain other matters that we reported to management of Ishpeming City School District in a separate letter dated September 29, 2006.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

September 29, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

#### Compliance

We have audited the compliance of Ishpeming City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Ishpeming City School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Ishpeming City School District's management. Our responsibility is to express an opinion on the Ishpeming City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ishpeming City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Ishpeming City School District's compliance with those requirements.

In our opinion, the Ishpeming City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompany schedule of findings and questioned costs as item 06-3.

#### Internal Control Over Compliance

The management of the Ishpeming City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Ishpeming City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board, management, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 29, 2006

ISHPEMING CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 07/01/05	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 06/30/06
U.S. DEPARTMENT OF AGRICULTURE:								
Passed Through M.D.E.:								
Food Distribution:								
Bonus Commodities		10.550	\$ 2,467	\$ 3,640	\$ -	\$ 2,467	\$ 2,467	\$ -
Entitlement Commodities		10.550	14,580	15,751	-	14,580	14,580	-
			17,047	19,391	-	17,047	17,047	-
TOTAL FOOD DISTRIBUTION								
Nutrition Cluster:								
National School Lunch Program:								
Section 4 - All Lunches		10.555	19,276	18,571	-	19,276	19,276	-
Section 11 - Free & Reduced Lunches		10.555	84,668	73,685	-	84,668	84,668	-
National School Breakfast Program		10.553	19,276	21,198	-	19,276	19,276	-
			123,220	113,454	-	123,220	123,220	-
TOTAL NUTRITION CLUSTER								
TOTAL PASSED THROUGH M.D.E.								
			140,267	132,845	-	140,267	140,267	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE								
			140,267	132,845	-	140,267	140,267	-
U.S. DEPARTMENT OF EDUCATION:								
Direct Award:								
Indian Education		84.060	\$ 8,837	\$ 6,890	\$ 6,890	\$ 8,837	\$ 8,890	\$ 6,837
		B060A042232	8,837	6,890	6,890	8,837	8,890	6,837
TOTAL DIRECT AWARD								
Passed through Michigan Department of Education (M.D.E.):								
E.C.I.A. Title I		84.010	-	-	-	-	-	-
61530-0506		84.010	211,674	-	-	-	152,438	49,450
E.C.I.A. Title I		84.010	20,307	20,307	-	-	-	-
41530-0405		84.010	251,236	26,255	-	-	-	-
E.C.I.A. Title I		84.010	240,277	212,936	69,241	27,341	96,582	-
51530-0405		84.010	723,494	259,498	69,241	229,229	249,020	49,450
TOTAL PASSED THROUGH M.D.E.								
			3,174	-	-	3,174	3,174	-
Handicapped Preschool								
060440 SPSR		84.027	3,174	-	-	-	-	-
Title V LEA Allocation								
060250-0506		84.298	1,710	-	-	1,710	-	1,710
050250-0405		84.298	2,814	2,814	-	-	-	-
040250-0304		84.298	-	-	-	-	-	-
			4,524	2,814	-	1,710	-	1,710

ISHPERING CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 07/01/05	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 06/30/06
Technology Literacy	054290-0405	84,318	\$ 6,106	\$ -	\$ -	\$ -	\$ -
	064290-0506	84,318	3,949	-	3,949	2,472	1,477
			10,055	-	3,949	2,472	1,477
Improving Teacher Quality	050520-0405	84,367	68,274	-	-	-	-
	060520-0506	84,367	66,936	-	66,936	61,936	5,000
			135,210	-	66,936	61,936	5,000
TOTAL PASSED THROUGH M.D.E.		876,457	336,692	69,241	304,998	316,602	57,637
Passed Through Marquette-Alger Regional Educational Service Agency (MARESA): Entrepreneurship Current Development	650 W02-01	17,267	900	-	900	900	-
	060490-3D51	84,027	273	-	273	273	-
Flow Through	060450-0506	84,027	43,627	-	43,627	1,976	41,651
	050450-0405	84,027	68,092	-	-	-	-
			111,719	-	43,627	1,976	41,651
Perkins	6012-02	84,048	5,324	-	5,324	-	5,324
	5012-02	84,048	5,526	-	-	-	-
			10,850	-	5,324	-	5,324
Preschool Grant	060460-0506	84,173	1,000	-	1,000	-	1,000
	050460-0405	84,173	1,112	-	-	-	-
			2,112	-	1,000	-	1,000

ISHPERING CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 07/01/05	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 06/30/06
Safe & Drug Free Schools & Communities							
052860-0405	84.186	\$ 2,991	\$ 2,991	\$ -	\$ -	\$ -	\$ -
062860-0506	84.186	2,810	-	-	2,810	2,810	-
032860-0304	84.186	-	-	-	-	-	-
		<u>5,801</u>	<u>2,991</u>	<u>-</u>	<u>2,810</u>	<u>2,810</u>	<u>-</u>
TOTAL PASSED THROUGH MARESA		131,655	77,721	-	53,934	5,959	47,975
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,016,949</u>	<u>421,303</u>	<u>76,131</u>	<u>367,769</u>	<u>331,451</u>	<u>112,449</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:							
Passed Through Marquette-Alger Regional Educational Service Agency (MARESA):							
LEA Medicaid Fee for Service - Transportation	93.778	6,662	6,647	-	6,662	6,662	-
		<u>6,662</u>	<u>6,647</u>	<u>-</u>	<u>6,662</u>	<u>6,662</u>	<u>-</u>
TOTAL U.S. DEPT OF HEALTH & HUMAN SERVICES		<u>6,662</u>	<u>6,647</u>	<u>-</u>	<u>6,662</u>	<u>6,662</u>	<u>-</u>
GRAND TOTAL		<u>\$ 1,163,878</u>	<u>\$ 560,795</u>	<u>\$ 76,131</u>	<u>\$ 514,698</u>	<u>\$ 478,380</u>	<u>\$ 112,449</u>

ISHPEMING CITY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2006

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the District's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C – STATE GRANTS:**

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2006 and are not included on the Schedule of Expenditures of Federal Awards.

<u>Description</u>	<u>Project Number</u>	<u>Amount Reported</u>
School Breakfast Program	056320	\$ 5,794
	TOTAL	<u>\$ 5,794</u>

**NOTE D – FINAL COST REPORT - FORM DS4044:**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE E – SCHEDULE OF FEDERAL AWARDS:**

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Federal Awards as follows:

Current Payments per R7120		\$445,617
Add payments not on R7120:		
Food distribution commodities	\$17,047	
Direct Award	8,837	
Passed through MARESA	53,934	
Title V LEA Allocation	1,710	
LEA Medicaid Fee for Service – Transportation	6,662	
Recorded as receivable at June 30, 2006:		
Title I	49,450	
Technology Literacy	1,477	
Improving Teacher Quality	<u>5,000</u>	144,117
Less payments on R7120 not Federal:		
School Breakfast Program		(5,794)
Less Payments on R7120:		
Recorded as receivable at June 30, 2005:		
Title I		(69,241)
Adjustments:		
Due to rounding		<u>(1)</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>		
<b>REPORTED IN THE SCHEDULE OF FEDERAL AWARDS</b>		<u><u>\$514,698</u></u>



**NOTE E – SCHEDULE OF FEDERAL AWARDS (Continued):**

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue recognized is as follows:

GENERAL FUND:	
Total Federal Revenue Sources reported in the financial statements	\$415,331
Reconciling Item:	
County Special Education revenue	(40,901)
SCHOOL LUNCH SPECIAL REVENUE FUND:	
Total Federal Revenue Sources as reported in the financial statements	<u>140,268</u>
TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	<u>\$514,698</u>

ISHPEMING CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year June 30, 2006

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Ishpeming City School District.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Report to Management Letter.
3. Instances of noncompliance material to the financial statements were disclosed during the audit and are reported in Section B of this schedule.
4. No reportable conditions relating to the audit of the major federal award programs are reported in this schedule.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were:

Flow Through	CFDA 84.027
UPAN – Autism	CFDA 84.027
Handicapped Preschool	CFDA 84.027
Perkins	CFDA 84.048
Indian Education	CFDA 84.060
Technology Literacy	CFDA 84.318
Improving Teacher Quality	CFDA 84.367

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Ishpeming City School District was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

- The following noncompliance item was noted:

06-1

**Condition:** The School District was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote K of the financial statements.

**Criteria:** Internal controls should be in place to ensure expenditures do not exceed appropriations.

**Effect:** When expenditures exceed appropriations, the School District is in violation of Public Act 621 and there is a potential negative impact on the financial position.

**Recommendation:** Management should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

**Management Response:** Management concurs.

ISHPEMING CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year June 30, 2006

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued):**

- The following reportable conditions were noted:

06-2

**Condition:** The accounting system at the School District contains general ledger accounts that are not being reconciled on a timely basis.

**Criteria:** Internal controls should be in place to ensure general ledger accounts are reconciled timely.

**Effect:** The general ledger contains the accounts and records which are the basis for the preparation of the interim financial statements and for the financial statements to be free of a material error or irregularity the general ledger accounts need to be reconciled timely.

**Recommendation:** Management should reconcile all general ledger accounts on a monthly basis and any adjustments to be made should be processed timely.

**Management Response:** Management concurs.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

U.S. DEPARTMENT OF EDUCATION

- 06-3      Handicapped Preschool – CFDA 84.027; Grant No. 060440SPSR; Grant period – Year ended June 30, 2006.

**Condition:** The DS- 4044 Final Expenditure Report required to be filed by August 29, 60 days after the grant period year end, was delinquent and not filed until September 11, 2006.

**Criteria:** The DS – 4044 Final Expenditure Report is required to be filed within 60 days of the grant period year end.

**Effect:** The School District may lose funding if the required reports stated in the grant agreement are not filed timely.

**Recommendation:** Management should monitor grant agreements more closely to ensure timely filing of required reports.

**Management Response:** Management concurs.

ISHPEMING CITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year June 30, 2006

There were no findings and questioned costs  
for major federal awards in the prior year.



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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### *Ishpeming City School District Report to Management Letter For the Year Ended June 30, 2006*

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the Ishpeming City School District, Ishpeming, Michigan as of and for the year ended June 30, 2006 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Ishpeming City School District, Ishpeming, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

#### **Instances of Non-Compliance**

##### **Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

Expenditures exceeded budget levels in certain categories in various School District funds for which budgets were adopted. A listing of the funds in which this has occurred is as follows:

	<u>Excess Expenditures/Expenses</u>
General Fund:	
Supporting Services – student services	\$ 2,119
Supporting Services – instructional staff	4,661
Supporting Services – operations and maintenance	33,111
Supporting Services – other	3,769
Special Revenue Funds:	
Athletic Activities	24,027

We remind the School Board of the provisions of P.A. 621 and recommend in the future, practices be refined and more closely monitored to conform to the Act.

### **Reportable Conditions**

#### **Internal Control System**

In any system of internal accounting control one of the main ingredients is a strong reconciliation function. The general ledger contains the accounts and records which are the basis for the preparation of interim financial statements and for them to be free of a material error or irregularity, the necessity for timely reconciliations cannot be overemphasized. We have suggested and good internal control dictates the general ledger accounts be reconciled on a monthly basis and any adjustments to be made be processed timely. The accounts which are most significant in the accounting system that need to be reconciled on a timely basis are:

- Cash accounts
- Accounts receivable
- Accounts payable
- Health insurance payable
- Interfund activity
- Federal program revenues.

### **Other Comments and Recommendations**

#### **Payroll**

During our testing of the District's payroll system, we discovered one timecard in our sample of forty contained unpaid hours. As payroll is a major expense, we suggest greater care be taken in its preparation. The payroll clerk was informed of the situation and has subsequently corrected the situation.

#### **Fund Balance**

At June 30, 2006, the General Fund had a reserved fund balance of \$121,364 and an unreserved fund deficit of \$42,648. Section 102(1) of the State School Aid Act prohibits a district from incurring an operating deficit during a fiscal year. A district is considered to have "a deficit fund balance if (1) its General Fund balance before reserves is negative, or (2) other funds have negative balances that are greater than the General Fund balance before reserves". Although the School District has a General Fund unreserved fund deficit, it does not currently meet the definition of a deficit fund balance. However, care should be taken to monitor the fund more closely in future years to ensure there are sufficient revenues to cover expenses.

Board of Education  
Ishpeming City School District  
Ishpeming, Michigan 49849

\* \* \* \* \*

This report is intended solely for the information and use of the Ishpeming City School District's board, management, and any other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening internal controls. We appreciate the cooperation and courtesy extended to us by the District's staff during our audit and would be pleased to discuss our recommendations with you further at your convenience.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

September 29, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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September 29, 2006

Board of Education  
Ishpeming School District No. 1  
Ishpeming, Michigan 49849

We have audited the financial statements of Ishpeming School District No. 1 for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. Professional standards require that we provide you with the following information related to our audit

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated May 22, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may not be detected by us.

In planning and performing our audit, we considered Ishpeming School District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Ishpeming School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Ishpeming School District No. 1's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Ishpeming School District No. 1's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide for a legal determination on Ishpeming School District No. 1's compliance with those requirements.

### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Ishpeming City School District No. 1 are described in Footnote A, to the financial statements. No new



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accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2005/2006. We noted no transactions entered into by the Ishpeming City School District No. 1 during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

#### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ishpeming City School District No. 1's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ishpeming City School District No. 1, either individually or in the aggregate, indicate matters that could have a significant effect on the School District's financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the school district's financial statement or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ishpeming School District No. 1's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Board of Education and management of the Ishpeming School District No. 1 and is not intended to be and should not be used by anyone than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants